

Message Text

CONFIDENTIAL

PAGE 01 QUITO 07710 281835Z

70

ACTION ARA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 SAM-01 OES-06

SP-02 SS-15 STR-04 TRSE-00 ACDA-07 FEA-01 PA-01 PRS-01

/102 W

----- 123408

R 281810Z OCT 76

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 2080

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 7710

E.O. 11652: GDS

TAGS: ENRG PFOR EC

SUBJ: GULF-GOE NEGOTIATIONS

REF: QUITO 7690

1. SUMMARY: FIRST MEETING BETWEEN GULF AND THE GOE INTER-INSTITUTIONAL COMMITTEE WENT SMOOTHLY, ALTHOUGH RESULTS OF MEETING WERE UNDERSTANDABLY INCONCLUSIVE. GOE COMMITTEE AGREED IN PRINCIPLE TO PURCHASE OF PIPELINE (ALTHOUGH DISCUSSIONS ON THIS ARE TO BE HELD "LATER"), AND TO ESTABLISH A SUBCOMMITTEE TO CHOOSE AN AUDITOR. COMMITTEE SEEMED FAMILIAR WITH THE POINTS IN THE GOE'S MEMORANDUM. END SUMMARY.

2. LOCAL GULF MANAGER JACK O'BRIEN TOLD EMBOFF OCTOBER 27 THAT THE FIRST NEGOTIATING SESSION, HELD OCTOBER 26, BETWEEN GULF AND THE GOE INTER-INSTITUTIONAL COMMITTEE HAD BEEN FREE OF RHETORIC OR ACCUSATIONS, BUT FEW DECISIONS HAD BEEN MADE. O'BRIEN SAID GULF HAD ESSENTIALLY DIRECTED THE MEETING BY PRESENTING TWO DOCUMENTS: ITS AGENDA FOR THE MEETING, AND AN OUTLINE OF THE BASES FOR THE NEGOTIATIONS. (THE LATTER
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 QUITO 07710 281835Z

DOCUMENT OUTLINES, IN A MUCH ABBREVIATED FORM, THE POINTS IN

THE GOE MEMORANDUM.)

3. O'BRIEN REPORTED HE ASKED FOR THE COMMITTEE'S CREDENTIALS. MIRANDA, WHO WAS SOMEWHAT TAKEN ABACK BY THE REQUEST, REPLIED THAT THE COMMITTEE MEMBERS WERE APPOINTED BY THEIR RESPECTIVE CABINET MEMBERS ACTING ON THE AUTHORITY OF THE SUPREME COUNCIL; THERE WAS NO DECREE, HOWEVER, ESTABLISHING THE LEGAL BASIS FOR THE COMMITTEE SINCE ECUADOREAN LAW DID NOT EXPRESSLY PROVIDE FOR THE FORMATION OF SUCH INTER-INSTITUTIONAL COMMITTEES. MAJOR DECISIONS, MIRANDA TOLD O'BRIEN, WOULD BE REFERRED TO THE CABINET.

4. O'BRIEN SAID GULF AND THE GOE COMMITTEE AGREED ON THE FOLLOWING POINTS:

A. CEPE WOULD PURCHASE GULF'S SHARE IN THE PIPELINE, ALTHOUGH DISCUSSIONS OF THE PIPELINE WOULD BE HELD AT A LATER DATE (UNSPECIFIED, BUT PRESUMABLY AFTER THE CURRENT NEGOTIATIONS HAVE BEEN CONCLUDED). THE GOE COMMITTEE JUSTIFIED POSTPONING DISCUSSIONS OF THE PIPELINE BY POINTING OUT THAT THERE WAS A CONSIDERABLE DIFFERENCE BETWEEN GULF'S AND CEPE'S ESTIMATES OF PIPELINE COSTS. IT IS EASIER, THEY SAID, TO DISCUSS FIRST THE PURCHASE OF THE PRODUCTION ASSETS SINCE THERE IS LITTLE DISAGREEMENT ABOUT THE COST OF THESE.

B. IT WAS AGREED THAT BOTH PARTIES WOULD NAME REPRESENTATIVES TO A SUBCOMMISSION WHICH WOULD AGREE ON THE BASES FOR AN AUDIT OF GULF'S ASSETS AND WHICH WOULD CALL AN INTERNATIONAL TENDER TO CHOOSE AN AUDITOR. O'BRIEN SAID HE WAS HOPEFUL THE TIME INVOLVED IN THIS PROCESS WOULD BE MINIMAL, SINCE THE PEAT MARWICK MITCHELL CONTRACT FOR AUDIT OF CEPE'S 25 PERCENT PURCHASE OF CONSORTIUM ASSETS IN 1974 COULD BE USED AS A BASE FOR THIS AUDIT AS WELL.

C. THE GOE COMMITTEE AGREED TO GULF'S REQUEST FOR A DECEMBER 31, 1976 TRANSFER DATE, RATHER THAN JANUARY 1, 1977.

D. GULF REJECTED CEPE'S PROPOSAL TO PAY GULF BY 1992, AND ASKED FOR PAYMENT IN FIVE YEARS. THE GOE COMMITTEE RESPONDED THAT THE TERM OF PAYMENT WAS A SUBJECT FOR NEGOTIATIONS; THE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 QUITO 07710 281835Z

TERM OF PAYMENT, HOWEVER, WOULD DEPEND ON THE METHOD OF PAYMENT, WHICH THE GOE HAD NOT YET DETERMINED.

5. O'BRIEN SAID HE WAS UNDER THE IMPRESSION DURING THE MEETING THAT EACH MEMBER OF THE GOE NEGOTIATING COMMITTEE WAS FAMILIAR WITH THE POINTS IN THE MEMORANDUM AND WAS IN FACT CHECKING THESE AGAINST THE POINTS ON GULF'S AGENDA. O'BRIEN SAID HE BROUGHT UP TWO POINTS TO "TEST THE WATER": ARBITRATION OF

CLAIMS, THE CEPE'S ASSUMPTION OF GULF'S OBLIGATIONS. O'BREIN SAID THAT THE COMMITTEE DID NOT RULE OUT THE POSSIBILITY OF ARBITRATION BUT TOLD HIM THIS WOULD HAVE TO BE DECIDED BY HIGHER AUTHORITY. THE COMMITTEE DID NOT RESPOND TO GULF'S SUGGESTED INCLUSION OF GULF'S OBLIGATIONS IN CEPE'S PURCHASE.

6. REGARDING THE MEMBERS OF THE COMMITTEE' O'BRIEN SAID RENE ORTIZ AND COL. MIRANDA TOOK THE LEAD IN THE NEGOTIATIONS; MIGUEL ANDRADE OF THE ATTORNEY GENERAL'S OFFICE PARTICIPATED TO SOME EXTENT, WHILE THE OTHER MEMBERS SAID NOTHING. O'BRIEN SAID THE SCHEDULE FOR FUTURE NEGOTIATIONS IS YET TO BE DETERMINED, ALTHOUGH MEETINGS WILL NOT NECESSARILY BE ON TUESDAYS AND THURSDAYS AS HAD BEEN ANNOUNCED IN THE LOCAL PRESS.

7. IN RELATED DEVELOPMENTS, ADMIRAL POVEDA TOLD THE AMBASSADOR ON OCTOBER 26 THAT THE GULF NEGOTIATIONS WOULD BE HANDLED ON THE MINISTERIAL LEVEL AND THAT FINANCE MINISTER ROBALINO WOULD BE IN CHARGE. HE SAID THAT THE SUPREME COUNCIL WOULD MEET WITH THE APPROPRIATE MINISTERS ON OCTOBER 28 TO ESTABLISH THE GUIDELINES AS TO HOW THE NEGOTIATIONS WOULD PROCEED, IMPLYING THAT THE INTER-INSTITUTIONAL COMMISSION APPROACH WAS NOT SATISFACTORY TO HIM. ON THE OTHER HAND, ROBALINO TOLD THE AMBASSADOR LATER THAT HE WOULD ONLY GET INVOLVED IN THE CRUNCHES AND THAT CEPE (READ: VARGAS) WOULD BE IN CHARGE OF THE DAY-TO-DAY NEGOTIATIONS. AS TIME GOES ON, IT SHOULD BECOME CLEARER AS TO WHO IS RUNNING THE SHOW. POVEDA ALSO ASSERTED THAT THE GOE MEMORANDUM HAD NOT BEEN DISTRIBUTED TO MEMBERS OF THE COMMITTEE BECAUSE IT WAS A CONFIDENTIAL DOCUMENT, BUT THAT THEIR INSTRUCTIONS WOULD BE CONSISTENT WITH THE MEMORANDUM. BLOOMFIELD

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DISPUTES, DEBT REPAYMENTS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 OCT 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976QUITO07710
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760403-0757
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976109/aaaaagzn.tel
Line Count: 145
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 QUITO 7690
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 22 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 JUL 2004 by SmithRJ>; APPROVED <05 NOV 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GULF-GOE NEGOTIATIONS
TAGS: ENRG, PFOR, EC, GULF OIL
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006